

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6045-03
Bill No.: HCS for HB Nos. 1861 & 1864
Subject: Public Assistance; Social Services Department
Type: Original
Date: March 7, 2014

Bill Summary: This proposal changes the laws regarding public assistance benefits.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	Could be less than \$280,653	Could be less than \$336,184	Could be less than \$336,184
Total Estimated Net Effect on General Revenue Fund	Could be less than \$280,653	Could be less than \$336,184	Could be less than \$336,184

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Various Other State Funds	Unknown, greater than \$750,936	Unknown, greater than \$901,123	Unknown, greater than \$901,123
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown, greater than \$750,936	Unknown, greater than \$901,123	Unknown, greater than \$901,123

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 14 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Federal	(Unknown, greater than \$45,342)	(Unknown, greater than \$6,300)	(Unknown, greater than \$6,300)
Total Estimated Net Effect on <u>All</u> Federal Funds	(Unknown, greater than \$45,342)	(Unknown, greater than \$6,300)	(Unknown, greater than \$6,300)

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Social Services (DSS)** and **Office of Administration (OA) - Information Technology Services Division (ITSD)** did not respond to **Oversight's** request for a statement of fiscal impact. Responses from previous versions and/or similar legislation is being used to provide a statement of fiscal impact.

§208.018 - SNAP Pilot Project

In response to similar legislation (HB 1879), officials from the **Department of Social Services (DSS) - Family Support Division (FSD)** stated the use of food stamp benefits at farmer's markets is currently supported by the federal government and Missouri follows that policy. Establishing a pilot program within the DSS is subject to appropriations in this legislation. The food stamp program is entirely federally funded. This legislation proposes a dollar for dollar match with SNAP benefits for every SNAP dollar spent in an amount up to ten dollars per week.

Farmers' markets are not uniquely identifiable in the Fidelity Information Services (FIS) ebtEDGE system, all retailers are the same. FIS cannot identify what the cardholder bought at the farmers market. Location and amount are captured in the EBT system, but there is no mechanism to capture individual items purchased. Receipts would need to be submitted from each participant. State staff would review the receipts and determine the dollar match. Once approved, the FSD would notify FIS. To automatically trigger a match, FIS would need funding up front.

FIS will have to program to identify the authorized markets, monitor the transactions at those specific markets, and determine the amount of funds the cardholders should receive as a reimbursement, move the funds to the cardholder, and collect that amount from the state. In addition, system updates would be needed to add a new fund code to accept the state dollar for dollar match.

The FSD anticipates additional costs associated with FIS, similar to the Summer Electronic Benefit Transfer for Children (SEBTC) program. Initial start up costs to do the SEBTC program were \$34,785. Benefit authorizations would need to be manually entered through the ebtEdge (administrative terminal) system by FSD staff during the pilot program. If fully implemented, batch processes to transmit to Missouri's EBT contractor, FIS, will need to be created by the Family Assistance Management Information System (FAMIS) very similar to what is used today for Food Stamps (SNAP) and Temporary Assistance (TA).

ASSUMPTION (continued)

In December 2013, there were 413,953 households in Missouri receiving food stamps. Using the assumption that this program would run for 20 weeks at ten dollars per week for each household, even if only 327 households take advantage of the pilot program, appropriations needed are greater than \$100,000 (327 households x \$10 x 20 weeks = \$65,400 benefits) (\$65,400 benefits + \$34,785 start up costs = \$100,185).

The appropriations needed to fund this program are unknown, but greater than \$100,000 (General Revenue).

Oversight notes from discussions with DSS staff, that FSD assumed there is approximately a 20-week growing season in Missouri each year in which farmers' markets will be open and recipients may purchase fresh fruits and vegetables.

Oversight notes that the provisions for this proposal provide that the pilot program will be established in at least one rural and one urban area. Oversight assumes this will not significantly change the impact provided by DSS.

§208.024 - TANF Transactions

In response to the previous version of this proposal, officials from the **Department of Social Services (DSS) - Family Support Division (FSD)** stated since section 208.024 is specific to Temporary Assistance for Needy Families (TANF) benefits and does not currently apply to Food Stamp benefits, the FSD assumes only persons receiving TANF benefits on EBT cards are impacted by this proposed legislation.

13 CSR 40-2.310(1)(B) states to be eligible for Temporary Assistance (TA), the payee and children must be Missouri residents.

The FSD has policy in place for out-of-state visits. TA participants may visit out-of-state for up to 60 days without interruption of benefits. It is the claimant's responsibility to notify FSD of absence, temporary address, and intended time of return.

If the participant has not contacted FSD at the planned time of return, a notice of case action is sent to the last known address. If the FSD determines that a recipient is no longer a Missouri resident, all public benefits are closed. This is policy currently in place.

Reports would be needed to monitor the out-of-state usage. These are provided by FIS, the current EBT contractor. FIS/eFunds estimates a one-time fee of \$2,500 to create this report for FSD.

ASSUMPTION (continued)

Additional technology is available through FIS/eFunds which would provide an alert to assist FSD with identifying TANF participants with only out-of-state EBT transactions for more than 90 days. This technology would allow FSD to identify these individuals sooner than using a monthly report after the month has ended. However, this technology is estimated to cost \$525 per month plus \$2.50 for every alert generated. The FSD is unable to determine how many alerts would be received per month. However, if FSD received 3,200 alerts per month, the costs for this technology would exceed \$102,300 (3,200 alerts x \$2.50 per alert = \$8,000 monthly alert cost + \$525 monthly base cost = \$8,525/month x 12 months)

To allow FSD to suspend TANF cash benefits when a person is disqualified under this legislation, FIS/eFunds estimates a one-time cost of \$2,500 for coding changes to their system.

The FSD can reasonably expect a reduction of TANF spending on cash assistance as a result of this legislation. However, this reduction would not result in a savings in TANF or the general revenue maintenance of effort (MOE) funding because all TANF/MOE must be spent on one of the four purposes of the TANF program:

1. To provide assistance to needy families;
2. To end dependence of needy parents by promoting job preparation, work and marriage;
3. To prevent and reduce out-of-wedlock pregnancies; and
4. To encourage the formation and maintenance of two-parent families.

Therefore the impact to the FSD is unknown, but greater than \$107,300 (\$2,500 for the monthly report + \$2,500 for the suspension technology + \$102,300 for the alert technology) for the first year and unknown, but greater than \$102,300 ongoing for the alert technology.

Oversight notes based on discussions with DSS staff that FSD does not currently receive any alerts from FIS for TANF recipients making out-of-state electronic benefit transfer transactions. Therefore, FSD does not have an “alert” history to support their assumption that they would receive 3,200 alerts a month. In addition, it is Oversight’s understanding that FSD is assuming they would receive an alert for every out-of-state electronic transaction, not just alerts for those TANF recipients that have made electronic transactions for 90 days exclusively out-of-state.

Therefore, Oversight assumes FSD’s costs for FY 15 would be “unknown, greater than \$11,300 [\$2,500 for monthly report + \$2,500 for the suspension technology + \$6,300 base cost of technology (\$525/month X 12 months) + unknown alert costs (\$2.50 per alert)]. FY 16 and FY 17 costs are assumed to be “unknown, greater than \$6,300” (\$525/month technology cost = \$6,300 + \$2.50/alert cost).

ASSUMPTION (continued)

In response to the previous version of this proposal, officials from the **Office of Administration (OA) - Information Technology Services Division (ITSD)/DSS** stated the Family Assistance Management Information System (FAMIS) is gradually being shut down and will eventually be transitioned over to the Missouri Eligibility Determination and Enrollment System (MEDES). MEDES is a multi-year implementation and replacement of FAMIS. The cost to implement this proposal in MEDES is currently unknown.

Section 208.024.1

The FAMIS system would need to add a sanction code for TANF recipients and change one program to look for this code and an expiration date.

Estimate:

20 hours Analysis
40 hours Modify Program Module to look for new sanction code
40 hours Modify Screen to accept new sanction code
40 hours Testing
140 hours

Section 208.024.3

FAMIS does not track the usage of funds; this is tracked by the vendor in Wisconsin, FIS/eFunds. DSS receives a transaction file from the EBT vendor daily. This file is used for fraud investigations currently.

A new program will be written to process the transaction files to identify offenders. A new technical eligibility factor will be built in FAMIS to track the usage of funds. Analysis, Design, Testing, and Construction would take 400 hours (both the new eligibility factor, related table values, and additional new screens/processes at 200 hours per functionality and this will also depend on the business rules regarding the 'temporary suspension'. There is already an eligibility factor to verify if the participant is a Missouri resident and the system should be able to reuse it.

Assumptions:

- ITSD Staff will make all the changes; and,
- Current rate for ITSD staff averages \$63.04 per hour.

Total Costs: 540 hrs x \$63.04/hr = \$ 34,042 (rounded).

ASSUMPTION (continued)

Oversight notes that FSD and OA-ITSD/DSS assume the costs of the proposal will come exclusively from federal TANF block grant monies. The TANF block grant funds are a set amount and no additional funds can be obtained. Any reductions in TANF cash assistance payments will be used for other TANF program purposes. For purposes of this fiscal note, Oversight is presenting the costs of this proposal as costs to federal funds with no reimbursement for the expenditures.

§208.027 - Administrative Hearings

In response to similar legislation from the current session (HB 1880), officials from the **Department of Social Services (DSS) - Division of Legal Services (DLS)** stated this proposal amends Section 208.027 to remove the requirement for a mandatory administrative hearing if an individual has refused to be tested or has tested positive for illegal use of controlled substances. This proposal adds a new paragraph two (2) to Section 208.027 that allows an individual to request an administrative hearing be conducted by the DSS under the provisions of chapter 536, RSMo, if an individual has refused to be tested or has tested positive for the illegal use of controlled substances.

DLS anticipates that the proposed legislation would have an unknown fiscal impact on the division. DLS anticipates a decrease in administrative hearings. However, it is not possible to estimate the decrease in the number of such hearings because at this time all such hearings are mandatory. It is not possible to estimate how many individuals will elect to have a hearing once the mandatory hearing requirement is removed. DLS believes that it will take approximately two hours to conduct each hearing. This will include hearing preparation, the actual hearing and the writing and reviewing of the hearing. DLS assumes that hearing officers can hold approximately 900 hearings per year. Therefore, once the number of potential hearings can be estimated it will be possible to determine the fiscal impact.

DLS assumes an "Unknown, greater than \$100,000" savings, annually, as result of this proposal. The General Revenue (GR)/Federal match for these expenditures is 27%/73%.

In response to similar legislation from the current session (HB 1880), officials from the **DSS - Family Support Division (FSD)** stated section 208.027 defines the method used by FSD to screen Temporary Assistance for Needy Families (TANF) participants for drug abuse. The screening is completed for every new applicant. Based upon the screening response, an applicant may be referred for drug testing. If the drug test is returned with a positive result or the participant does not show up for the drug test, they are given an automatic administrative hearing at that time.

ASSUMPTION (continued)

This legislation removes all automated administrative hearings and requires that participants request a hearing. Since, currently, there are automated systems in place to initiate the hearing process, the Information Technology Services Division (ITSD) will need to delete this coding from the programs. This can be done with existing staff and/or resources.

There is no fiscal impact to FSD.

§208.238 - Automated Eligibility Verification System

In response to similar legislation (HB 1864), officials from the **Department of Social Services (DSS) - Family Support Division (FSD)** stated FSD has a new decision item included in the current budget request relating to fraud prevention/detection technologies for contract costs of \$2,085,000 and Medicaid program savings of \$6,104,340, for a net savings of \$4,019,340.

For section 208.238, current technology does not allow FSD the ability to ensure individuals applying for or receiving program benefits are eligible. Current technology only indicates individuals may be eligible based on the best information available.

Technology does exist to verify and authenticate an individual's identity during the application process. Additionally, once individuals are initially determined eligible for benefit programs, periodic checks can be made for indicators that the individual may no longer be eligible for assistance. The FSD estimates this technology would cost \$2,085,000 to implement. However, the FSD estimates that such technology would result in savings of \$6,104,340 because this technology would assist FSD with identifying individuals ineligible for the MO HealthNet programs. This results in an overall savings of \$4,019,340. Additional savings may be possible for other programs; however, the amount of additional savings is unknown at this time.

Due to federal rules for the Food Stamp program, the FSD would be required to request a waiver to implement this process for Food Stamp applicants. If the waiver is not approved by the federal Food and Nutrition Services, the FSD reasonably anticipates there could be sanctions imposed by the United State government if this process were implemented without an approved waiver. These sanctions could include a disallowance of some or all of the federal Food Stamp program funding.

Oversight assumes implementation of an automated process to ensure applicants applying for benefit programs are eligible to receive benefits could have significant additional savings to the DSS, potentially reducing the number of staff needed to investigate allegations of potential fraud and abuse by recipients and staff needed to pursue collection and restitution of claim overpayments. These potential savings may be outside the scope of this fiscal note. The potential savings are unknown.

ASSUMPTION (continued)

Oversight assumes costs and savings for DSS-FSD for FY 15 to be for 10 months. Oversight assumes FY 16 and FY 17 costs for the fraud detection process could exceed the amount provided by DSS - FSD.

Officials from **DSS** state the Missouri Eligibility Determination and Enrollment System (MEDES) contract can accommodate any changes required by this legislation. DSS assumes that changes will not be made to existing systems (FAMIS, etc.). Therefore, there is no cost to the Office of Administration - Information Technology Services Division (ITSD).

Bill as a Whole

Officials from the **Office of Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes this is a small amount and does not expect that additional funding would be required to meet these costs. However, it is also recognized that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Department of Mental Health (DMH)** state the legislation places no obligation or requirement upon the DMH that would result in a fiscal impact.

Officials from the **Department of Agriculture** and the **Joint Commission on Administrative Rules** each assume the proposal would not fiscally impact their respective agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE FUND			
<u>Savings</u> - DSS-DLS (§208.027)			
Reduction in administrative hearing costs	Unknown, greater than \$22,500	Unknown, greater than \$27,000	Unknown, greater than \$27,000
<u>Savings</u> - DSS-FSD (§208.238)			
Reduction in program benefit payments, staff, and other expenses	Unknown, greater than \$1,126,403	Unknown, greater than \$1,351,684	Unknown, greater than \$1,351,684
<u>Costs</u> - DSS-FSD (§208.018)			
Start up and pilot project costs	\$0 to (Unknown, greater than \$100,000)	\$0 to (Unknown, greater than \$100,000)	\$0 to (Unknown, greater than \$100,000)
<u>Costs</u> - DSS-FSD (§208.238)			
Contract costs for fraud detection	(Unknown, greater than \$868,250)	(Unknown, could exceed \$1,042,500)	(Unknown, could exceed \$1,042,500)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>Could be less than \$280,653</u>	<u>Could be less than \$336,184</u>	<u>Could be less than \$336,184</u>

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
OTHER STATE FUNDS (various)			
<u>Savings - DSS-FSD (§208.238)</u> Reduction in program benefit payments, staff, and other expenses	<u>Unknown, greater than \$750,936</u>	<u>Unknown, greater than \$901,123</u>	<u>Unknown, greater than \$901,123</u>
ESTIMATED NET EFFECT ON OTHER STATE FUNDS	<u><u>Unknown, greater than \$750,936</u></u>	<u><u>Unknown, greater than \$901,123</u></u>	<u><u>Unknown, greater than \$901,123</u></u>
FEDERAL FUNDS			
<u>Income - DSS-FSD (§208.238)</u> Program reimbursements for fraud detection contract	Unknown, greater than \$868,250	Unknown, could exceed \$1,042,500	Unknown, could exceed \$1,042,500
<u>Savings - DSS-DLS (§208.027)</u> Reduction in administrative hearing costs	Unknown, greater than \$60,833	Unknown, greater than \$73,000	Unknown, greater than \$73,000
<u>Savings - DSS-FSD (§208.238)</u> Reduction in program benefit payments, staff, and other expenses	<u>Unknown, greater than \$3,209,611</u>	<u>Unknown, greater than \$3,851,533</u>	<u>Unknown, greater than \$3,851,533</u>
Total <u>All Income and Savings</u>	<u>Unknown, greater than \$4,138,694</u>	<u>Unknown, greater than \$4,967,033</u>	<u>Unknown, greater than \$4,967,033</u>

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
FEDERAL FUNDS (cont.)			
<u>Costs - DSS-FSD (§208.024)</u>			
Contract modification, report, and alert notification costs	(Unknown, greater than \$11,300)	(Unknown, greater than \$6,300)	(Unknown, greater than \$6,300)
<u>Costs - OA-ITSD/DSS (§208.024)</u>			
Computer modification and update costs	(\$34,042)	\$0	\$0
<u>Costs - DSS-FSD (§208.238)</u>			
Fraud detection contract costs	<u>(Unknown, greater than \$868,250)</u>	<u>(Unknown, could exceed \$1,042,500)</u>	<u>(Unknown, could exceed \$1,042,500)</u>
Total <u>All Costs</u>	(Unknown, greater than \$913,592)	(Unknown, greater than \$1,048,800)	(Unknown, greater than \$1,048,800)
<u>Loss - DSS-DLS (§208.027)</u>			
Reduction in reimbursements for administrative hearing costs	<u>(Unknown, greater than \$60,833)</u>	<u>(Unknown, greater than \$73,000)</u>	<u>(Unknown, greater than \$73,000)</u>
<u>Loss - DSS-FSD (§208.238)</u>			
Reduction in reimbursements for program benefit payments, staff, and other expenses	<u>(Unknown, greater than \$3,209,611)</u>	<u>(Unknown, greater than \$3,851,533)</u>	<u>(Unknown, greater than \$3,851,533)</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>(Unknown, greater than \$45,342)</u>	<u>(Unknown, greater than \$6,300)</u>	<u>(Unknown, greater than \$6,300)</u>

FISCAL IMPACT - Local Government

FY 2015
(10 Mo.)

FY 2016

FY 2017

\$0

\$0

\$0

FISCAL IMPACT - Small Business

§208.018 - This proposal could have a positive fiscal impact on small business farmers and farmers' markets.

§208.238 - This proposal could impact a wide variety of small businesses that provide goods and services to public assistance recipients if those recipients are deemed to be ineligible for public assistance before they receive benefits rather than after they receive benefits. It is assumed this proposal will have a negative impact on small businesses.

FISCAL DESCRIPTION

Section 208.018 - This proposal specifies that the Department of Social Services must establish a pilot program for the purpose of providing Supplemental Nutrition Assistance Program (SNAP) participants with access and the ability to afford fresh fruit and vegetables when purchasing fresh produce at farmers' markets in at least one rural and one urban area. Participants must be able to: (1) Purchase fresh produce with SNAP benefits with an electronic benefit transfer (EBT) card; and (2) Receive a dollar-for-dollar match for every SNAP dollar spent at a participating farmers' market in an amount up to \$10 per week whenever the participant purchases fresh produce with an EBT card. Purchases of approved fresh produce by SNAP participants must automatically trigger matching funds reimbursement into the vendor accounts by the department. The funding of this pilot program is subject to appropriation. In addition to appropriations from the General Assembly, the department may apply for available grants and is authorized to accept other gifts, grants, and donations to develop and maintain the program.

Section 208.024 - This proposal requires any recipient of benefits who makes electronic benefit transfer transactions exclusively outside the state for a period of 90 days to have his or her electronic benefit transfer card temporarily suspended, pending an investigation by the Department of Social Services to determine if he or she is a Missouri resident. If the department finds that a recipient is no longer a Missouri resident, it must disqualify him or her from all enrolled public assistance benefit programs.

Section - 208.027 - This proposal repeals the provision requiring an automatic administrative hearing after an applicant or recipient of temporary assistance for needy families benefits tests positive for a controlled substance or refuses to test. The applicant may request an administrative hearing.

FISCAL DESCRIPTION (continued)

Section 208.028 - This proposal requires the Department of Social Services to implement an automated process to ensure an applicant is eligible to apply for a benefit program. The automated process must be designed to periodically review any current beneficiary to ensure he or she is still eligible for any benefit they are receiving. The system must check applicant and recipient information against multiple sources of information through an automated process.0

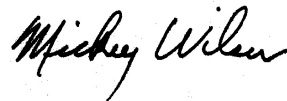
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Agriculture
Department of Mental Health
Joint Commission on Administrative Rules
Office of Secretary of State

Not Responding:

Department of Social Services -
Family Support Division
Office of Administration -
Information Technology Services Division



Mickey Wilson, CPA
Director
March 7, 2014

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March 7, 2014